



**What is the meaning of  
PROFIT without VALUES?**



WE THINK **tomorrow**™

**ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT**

**2019**

# **PROFIT without VALUES is WORTHLESS!**

**We endorse a disciplined  
approach to safety performance.**

*The health and safety of our employees  
shall not be compromised.*

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# 1. THE COMPANY

## 1.1 CORPORATE PROFILE

Mullen Group Ltd. ("**Mullen**" or the "**Mullen Group**") is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol "MTL". Mullen Group is headquartered in Okotoks, Alberta operating across Canada and the United States.

Through a network of wholly-owned companies and limited partnerships, Mullen Group is one of the leading suppliers of less-than-truckload ("**LTL**") trucking as well as truckload and logistics services in Canada and provides a wide range of specialized transportation and related services to the oil and natural gas industry in western Canada.

## 1.2 OUR MISSION

 **Our tagline really captures what we always talk about – the Future.** It takes analysis, study of the situation, an understanding of the factors that could ultimately affect a variety of outcomes, perhaps even the less understood unintended consequences, and of course a lot of hard work. Here at Mullen Group we like to characterize all of these traits under the concept of **WE THINK TOMORROW**. We challenge ourselves to be students of history, but not stuck in the past. We view tomorrow as where we want to be, which requires that we think about what is happening around us today and then strategize as how to best position our organization to be successful tomorrow. **WE THINK TOMORROW** is what we do here at Mullen Group.

## 1.3 CULTURE AND VALUES

### INTEGRITY

Integrity is what our company was founded on and remains the basis of how we do business. Mullen Group strives to build mutually respectful and trustworthy relationships with our employees and our customers. Our success in building these relationships is a result of our commitment to one of our guiding principles: "**If we say it – we do it**".

### LEADERSHIP

Mullen Group expects the companies we invest in to be industry leaders. This is accomplished by challenging our people to enhance their leadership skills and overall abilities through continuous training.

### PEOPLE FOCUSED

At Mullen Group, we understand that companies do not provide superior customer service, **PEOPLE DO**. We believe that people prosper within an organization when they have the competitive tools and a supportive environment in which to work. People within the Mullen Group are empowered and supported to make decisions. They are given responsibility and challenged to be accountable for the results of their actions.



Our growing organization is well-suited to those individuals who not only want to excel at what they do but want the opportunity and the challenge to try new and exciting ventures, allowing them to move ahead.

## **OPERATIONAL EXCELLENCE**

Providing customers with high quality customer service is the key to any successful organization. Mullen Group strives to achieve a superior level of customer service by focusing on the goal of attaining "Excellence in everything we do". Mullen Group subscribes to the principles of Total Quality Management. This program encourages each employee to strive for quality in every aspect of our business. Mullen Group has designed its own quality program, branded "On the Road to Quality". This nationally recognized, award-winning program is designed to help us provide the highest levels of customer service and maintain a high-quality work environment for our people.

## **INVESTING IN OUR PEOPLE**

At Mullen Group we believe that to be a Best in Class organization and an Employer of Choice we must invest in our people. In addition to education, training and comprehensive safety programs, we offer the following initiatives:

- Employee and Family Assistance Program;
- Roland and Leona Mullen Scholarship;
- Benefit plans;
- Opportunity for advancement – we promote from within the Mullen Group;
- Transfer opportunities within the Mullen Group;
- Incentive programs – because the Mullen Group shares its success and because they help us provide a high-quality work environment for our people; and
- Competitive wage packages.

As quality guru Dr. W. Edwards Deming once said:

*“It is the right of all people to have joy in their work.”*

**We take that statement very seriously.**

In addition to providing specific job-related and safety training, we encourage ALL of our people to continue their education, training and skills upgrading. Our overall training-related goal is to have every individual in the organization receive a minimum of 20 hours of education and skills upgrading each year. For this reason, we have partnered with SAIT Polytechnic to provide a Business Management Certificate Program to all interested employees. In 2019 employees received a total of 117,430 hours of training (2018 – 103,210 hours).



## 1.4 OPERATING MODEL

Our business is managed upon the basic principles of generating superior profitability, striving for excellence in **safety** and committing to the process of **continuous improvement**. Operating in a team environment, we challenge ourselves to make decisions on all aspects relating to the operations of the business, improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability.

We evaluate operational excellence by benchmarking the financial performance, safety statistics and return on invested capital of each Business Unit.

We operate a decentralized business model that is non-hierarchical in nature. Each Business Unit is held accountable for its own performance and results. The management and employees of the Business Units are remunerated based upon the performance of their respective business. Corporate Office provides overall support to the Business Units by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis.

We believe this model generally results in superior customer service, lower costs and provides greater operational flexibility as compared to a fully-integrated business model. Giving responsibility and the necessary authority to the Business Unit encourages greater entrepreneurship and innovation as the teams are empowered and rewarded for their actions.

At December 31, 2019, Mullen Group consisted of 31 Business Units, offering a diversified range of truckload and LTL general freight services to customers in Canada and the United States. These services include transporting a wide range of goods including ambient temperature controlled transportation, general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and frac sand. We also provide logistics, warehousing and distribution, transload and intermodal services primarily in western Canada, as well as the production, excavation and transportation of various aggregate products. In addition, we have highly trained personnel and equipment to provide well-servicing, specialized transportation, dewatering, and drilling services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, stockpiling and stringing of large diameter pipe, a broad range of services related to the processing and production of heavy oil including well servicing and handling, transportation of fluids, the processing and disposal of oilfield waste, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation, drilling rig relocation, core drilling, casing setting and conductor pipe setting services.

In total, eight Business Units are covered by collective bargaining agreements. Copies of such can be found at [www.labour.gc.ca](http://www.labour.gc.ca).



## 2. SOCIAL

### 2.1 ON THE ROAD TO QUALITY

Mullen Group goes to great lengths to hire the very best people. Individuals who believe in a commitment to operational excellence in everything we do. Mullen Group has designed its own quality program, branded "**On the Road to Quality**". This nationally recognized, award-winning<sup>1</sup> program is designed to help us provide the highest levels of customer service and maintain a high-quality work environment for our people.

We recognize that we cannot reach our goals and objectives unless we involve everyone in the process of continuous improvement. We want all employees to find new and creative ways to achieve success by having employees identify opportunities for improvement.

This process of continuous improvement requires a system of communication whereby employees can make recommendations to improve a work process. If one sees an opportunity to improve a work process or have an idea or suggestion, we encourage our employees to present it to their Team Leader who will bring it forward to the appropriate department.

Mullen Group endorses an open door practice that encourages employees to discuss any concerns they may have with those people who can and will decide what to do about it. In most instances, that means raising concerns with their Team Leader or the Human Resources Department. More information on the reporting procedure for employees is referred to in Mullen Group's Behaviour Guide (available on SEDAR at [www.sedar.com](http://www.sedar.com)).

Our commitment to quality understands that employee satisfaction produces customer satisfaction and this is only achieved when mutual trust and mutual respect are present in all our



#### WHAT QUALITY MEANS TO MULLEN GROUP

*As a Company and as individuals, we accept the responsibility and the challenge of providing each and every customer with our very best.*

*Our goal of TOTAL CUSTOMER SATISFACTION will be achieved because we are committed to the process of continuous improvement.*

*The Company will provide all employees with the necessary equipment, facilities, technology, training and systems required to pursue the goal.*

#### Our six guiding principles to customer satisfaction are:

- 1. Excellence is our goal**  
It must be pursued in everything we do.
- 2. Everything must have a useful purpose**  
This means we must work on the right things.
- 3. If we say it - we do it.**  
Our word is our reputation. We must do what we say we are going to do.
- 4. We endorse a disciplined approach to profit expectation**  
Long-term success can only be achieved if the Company is financially sound.
- 5. We endorse a disciplined approach to safety performance**  
The health and safety of our employees shall not be compromised.
- 6. We invest in our employees**  
Companies do not provide customer service - people do.



*Murray K. Mullen*  
Murray K. Mullen



WE THINK tomorrow



#### CORPORATE OBJECTIVES

#### Our commitment to quality is driven by four clear objectives:

1. Strive for Job Security
2. A Quality Work Environment
3. Growth Opportunities
4. Monetary Gains

#### To achieve our objectives we follow these basic principles:

1. Focus on the situation, issue, or behaviour, not on the person.
2. Maintain the self-confidence and self-esteem of others.
3. Maintain constructive relationships with your employees, peers, and leaders.
4. Take initiative to make things better.
5. Lead by example.



*Murray K. Mullen*  
Murray K. Mullen



WE THINK tomorrow

<sup>1</sup> Mullen Trucking has been recognized by the National Quality Institute for outstanding achievement in Quality. It has received the Order of Excellence Award, the highest level of recognition from the National Quality Institute.



customer/supplier relationships, which in turn produces mutual benefit to all concerned parties. Employees are challenged to apply their creative energies and encouraged to improve upon their skills. This is how we can contribute to provide the highest levels of customer service and maintain a quality work environment for all of our employees.

To ensure that we meet our established goals and objectives, everyone at Mullen Group is expected to contribute. Senior executives and leaders are entrusted by the stakeholders of Mullen Group – shareholders, employees, and the communities in which we operate – with the responsibility of developing our strategic plans, defining the growth opportunities and identifying the challenges and risks associated within our business.

To achieve this, the senior executives set corporate goals each year. Each department or team is then asked to examine their goals and objectives for the year to ensure they are aligned with the corporate goals and objectives.

Each individual is then asked to align his/her personal goals in support of the department goals. When personal goals and department goals are aligned with corporate objectives our commitment to quality is achievable. Everyone in the company provides or supports our customer service and safety initiatives. With the alignment of an effective strategy accompanied by executive support, our goals and objectives will be transformed into realities.

## 2.2. SAFETY

At Mullen Group, we have one simple goal – **to Achieve Excellence in Everything We Do**. It is a commitment, a shared belief of our Board, our Senior Executives and our Business Units leaders and one that we strive to instill throughout our large and growing organization. The goal is not about perfection but rather about striving to be the best we can be. It does more than ensuring that our customers will entrust their business to our organization. It provides each of us with a roadmap in terms of; our commitment to the health, well-being and safety of our employees; our responsibility to share the highways we use responsibly; and to ensure that we use best practices to protect the environment.

**Mullen Group is committed to health, safety and environmental performance and has a strong culture of integrity. Our guiding principles state that:**

*"We endorse a disciplined approach to safety performance. The health and safety of our employees shall not be compromised."*

**Murray K. Mullen**





There is no single identifiable aspect of our daily activity that has more of a bearing on the success or failure of our business than safety. The welfare of our employees, owner operators, the general public and the protection and security of our customer's property and the environment all benefit from safety. Safety in the workplace is fundamental to meeting the objective of satisfying customer requirements and the goal of achieving better business results. Compromising safety is the same as compromising the well-being of our employees or the environment, **which is not acceptable**.

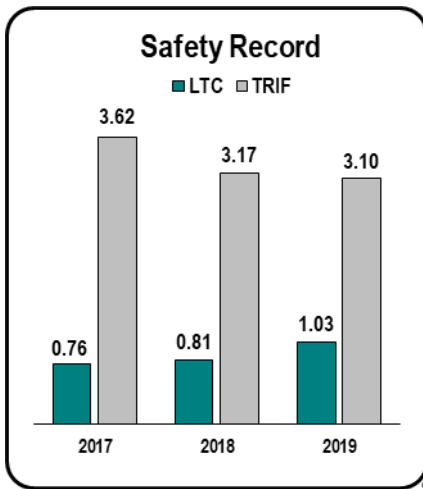
At Mullen Group, safety is not just a buzzword or a few rules, policies and procedures. It's much more than that. Throughout our entire organization, safety is a culture that consists of shared beliefs, practices and attitudes. Providing all employees with a safe and quality work environment is one of the stated objectives of Mullen Group. In addition, Mullen Group strives for excellence in safety by hiring only those individuals who are committed to these same objectives. We achieve excellence by providing on-going safety information and training through seminars and publications, committing to use only the most modern and up-to-date equipment available, undertaking safety inspections that far exceed industry and regulatory requirements, adhering to stringent guidelines with respect to compliance with highway regulations and generally utilizing a performance based pay system that rewards drivers for professional performance. Mullen Group will continue to promote the requirement of a safe work environment and general highway safety as an integral part of its corporate strategy.

## "7 KEY ELEMENTS" OF OUR SAFETY PROGRAM

By incorporating these seven elements into our world class safety program we give ourselves a great chance at having an excellent Safety Record.

1. **Recruitment:** We want to attract the very best individuals to our organizations.
2. **Pre-Employment Hiring Procedures:** We orientate, train, test, and assess fitness for duty.
3. **Set the Standards:** We let everyone know what is expected.
4. **Monitor & Measure Performance:** We must ensure that everyone follows the standards established.
5. **Provide Safe and Reliable Equipment and Facilities:** This is clearly the responsibility of the company. Every employee needs access to the right tools to be successful.
6. **Education & Skills Upgrading:** We learn by doing and through improving our skills. It is important to encourage every employee to learn better and safer techniques and ways of doing our jobs.
7. **Discipline:** For those that cannot adhere to Mullen Group's approach to safety and/or meet the performance standards, we provide the opportunity to improve their skills and be re-certified by way of additional training. Ultimately, however, they must conform. Those that will not adhere to the company's approach to safety must be terminated from active duty, for their own benefit as well as for the safety of those that work around them.





At Mullen Group, a world-class level of injury-free operation is defined by achieving a Lost-Time Claim frequency<sup>1</sup> ("LTC") of less than one (< 1.0) and a Total Recordable Injury frequency<sup>2</sup> ("TRIF") of less than four (< 4.0). The table to the left presents Mullen Group's safety performance over the past three years:

In addition to fundamental worker safety statistics, Mullen Group tracks the value of cargo and auto claims and the number of claim free shipments. In 2019, our gross claims to revenue ratio was 0.64% (2018 – 0.87%). Our claim free delivery ratio was 99.93% (2018 – 99.94%).

### 2.3. INDIGENOUS PARTNERSHIPS

Mutually beneficial relationships with Canada's Indigenous Peoples are critical to the success of Mullen Group. We conduct business in a manner that respects the land, environment, rights and cultures of Indigenous communities. Mullen Group has been engaging Indigenous groups and developing relationships with same for more than a decade. As a result, our Business Units have been involved in many First Nations consultations and negotiations to implement a number of agreements and build relationships with the First Nations and their members. In total, Mullen Group and its subsidiaries have formalized collaboration agreements with nearly 30 Indigenous groups.

### 2.4. EMPLOYMENT EQUITY

Canada today is a place of increasing diversity with people of different ethnicity, sexual orientation, physical abilities, lifestyles, values and personal interests, living, learning and working together. Understanding and valuing this diversity in our employees, customers, suppliers and shareholders and reflecting it in our workplace are key to our success. Mullen Group is committed to providing a collegial working environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional atmosphere that promotes equal opportunities and prohibits discriminatory practices.

The primary purpose of employment equity is to ensure that employees and job applicants – particularly women; indigenous people; individuals with disabilities and members of visible minorities – are provided with opportunities for employment and advancements consistent with their proven skills and abilities. The intent is to identify and remove any systemic or unintentional discriminatory practices contained within our employment practices and procedures. We are committed to maintaining a workplace where the terms and conditions of employment are equitable, non-discriminatory and free from barriers. We are committed to building a skilled and balanced workforce where opportunities are provided on the basis of merit and where all

<sup>1</sup> LTC Frequency rate is calculated as: 
$$\frac{(LTC+Fatalities) \times 200,000 \text{ working hours}}{\text{Total Number of Working Hours}}$$

<sup>2</sup> TRI Frequency rate is calculated as: 
$$\frac{(LTC+Fatalities+Restricted \text{ Work Claim}+Medical \text{ Aid}) \times 200,000 \text{ working hours}}{\text{Total Number of Working Hours}}$$



employees have the opportunity to reach their full potential and contribute positively toward our goals.

Mullen Group continues to ensure that our workforce is one that is representative of the available skilled and qualified labour pool available in our region. All employees play a role in achieving employment equity. With all of the employee's support and help, we demonstrate leadership in our industry by creating a workplace climate in which employees advance, achieve and contribute regardless of race, colour, religious beliefs, place of origin, ancestry, age, gender, sexual orientation, gender identity and expression, mental or physical disability, marital status, family status and source of income.

**Our employment equity objectives are to:**

- Raise awareness, understanding and appreciation of the diversity that characterizes our employees, customers, suppliers and shareholders.
- Help ensure fairness to all employees (present and future) while making the best use of all available and qualified resources.
- Review our human resources policies and practices to ensure that they are free from discriminating words and actions.
- Make accommodations to prevent undue hardship for all employees.
- Work at removing physical and attitudinal barriers.
- Monitor our progress toward an equitable workplace.

We abide by a non-discriminatory practice of hiring or transferring to any vacancy, any qualified applicant without regard to race, colour, religious beliefs, place of origin, ancestry, age, gender, sexual orientation, gender identity and expression, mental or physical disability, marital status, family status and source of income. We offer equal opportunity for employment and advancement to all qualified applicants and employees. All reasonable efforts will be made to fill vacancies from within Mullen Group, however, the policy is to fill the positions with who it deems to be the best-qualified individual.

Mullen Group endorses an open-door practice that encourages employees to discuss any concerns they may have with those people who can and will decide what to do about it. In most instances, that means raising concerns with their Team Leader or the Human Resources Department. In addition, reporting procedures have been developed to assist employees when they are uncomfortable with addressing concerns within this manner.

More information on the reporting procedure for employees is referred to in Mullen Group's Behaviour Guide, a copy of which can be accessed electronically through SEDAR at [www.sedar.com](http://www.sedar.com).

At December 31, 2019, women constituted approximately 16.0% of our workforce and 22.4% of our executive officers are women. Two of our seven board members are women. Women in driving positions exceeded the national average by approximately 20%.



## 3. ENVIRONMENT

### 3.1. ENVIRONMENTAL CODE OF PRACTICE

Mullen Group is fully committed to environmental protection and will abide by the following:

- Conform with or exceed applicable legislation, regulations, and industry standards;
- Recognize environmental management as among the highest corporate priorities; establish environmental responsibility at the board and chief executive level and integrate corporate environmental policies, programs and practices as an essential element of management at all levels and functions;
- Educate, train and motivate personnel to conduct their activities in an environmentally responsible manner;
- Develop, implement and maintain effective emergency response procedures to minimize the consequences of emergency events;
- Work with government, industry groups and the public to improve and develop environmental standards and the understanding of relevant environmental issues;
- Encourage and support environmental research to expand scientific knowledge and develop improved technologies to protect the environment; and
- Conduct environmental compliance reviews at selected locations, at regular intervals.

Mullen Group expects all personnel to conduct their activities in an environmentally sound manner. Efforts are made in all areas to Reduce, Reuse and Recycle. Environmental information for personnel is provided by Team Leaders; in addition, environmental issues may be discussed during Quality Council meetings. Some of the practices that have been initiated by Mullen Group are:

- Participating in the SmartWay Transport Partnership Program;
- Purchasing latest technology trucks with the most up-to-date environmental standards;
- Replacing lighting with modern energy efficient LED bulbs;
- Tele-conferencing technology that allows participants to meet without the need for travel;
- Document management systems that allows electronic document sharing to reduce paper usage;
- Recycling the majority of all discarded paper, cardboard, plastics, cartridges and unusable computer parts as well as used oil and parts;
- Purchase reusable products when possible;
- Thin client technology to reduce energy; and
- Converted our datacenter server from a 100% physical environment to a 25% physical and 75% virtual environment significantly decreasing energy consumption.



### 3.2. SMARTWAY TRANSPORTATION PARTNERSHIP

Meeting the world's need for energy while managing greenhouse gas (GHG) emissions is a complex challenge and every individual and company has a responsibility to use energy resources wisely. At Mullen Group, we continually strive to reduce deadhead miles and increase fuel efficiency. Responsibility to reduce emissions from supply chains is becoming increasingly important in customer and corporate decision-making. Consequently, companies are reaching out to business partners with similar goals, turning fuel efficiency and emissions reductions into a business-to-business proposition. Originally launched by the United States Environmental Protection Agency ("EPA") in 2004, SmartWay Transport Partnership ("**SmartWay**") has been administered in Canada by Natural Resources Canada ("**NRCan**") since 2012. SmartWay is a collaboration designed to help businesses reduce fuel costs while transporting goods in the cleanest most efficient way possible. SmartWay works with freight carriers and shippers committed to benchmarking their operations, tracking their fuel consumption and improving their annual performance. SmartWay certified carriers are invested in reducing fuel costs, improving efficiency, and encouraging best practices in their freight supply chains. By moving goods in the cleanest, most efficient way possible, SmartWay partners foster higher productivity while protecting the environment. To date, 25 of our Business Units are SmartWay partners (which includes all of our over the road truckers).

As a result, our carbon intensity per revenue dollar has been reduced in recent years. It is estimated that we emitted 0.312 million metric tonnes of CO<sup>2</sup> (2018 – 0.324 million metric tonnes). During 2019 Mullen Group travelled a total of 254.2 million kilometres, an increase of 1.6%, as compared to the prior year, while revenue was up 1.4%. Our average miles per gallon ("**mpg**") improved from 5.85 mpg to 6.21 mpg. There are many factors that affect fuel efficiency including weather and engine design, and the changing nature of our operations.

### 3.3. TRANSPORTATION OF DANGEROUS GOODS

The transportation of dangerous goods are highly regulated in Canada. These complex regulations have been communicated to our workforce in clear plain language and are followed by everyone involved in the process of handling or transporting dangerous goods. Shippers, not manufacturers, are responsible for classifying, documenting, packaging and labelling dangerous goods. Carriers are responsible to verify that the information is present and, if not, then to have it corrected before picking up the dangerous goods shipment.

In 2019 we transported 3,836,305 shipments (2018 – 3,753,828 shipments). There were no significant environmental incidents and a total of 20 reportable incidents or 99.93% defect free (2018 – 14 reportable incidents or 99.94% defect free).



## 4. GOVERNANCE

### 4.1. HOW WE GOVERN

A detailed overview of our governance practices can be found in our Annual Information Circular (available on our website at [www.mullen-group.com](http://www.mullen-group.com) and SEDAR at [www.sedar.com](http://www.sedar.com)). The majority of board members are independent and the board has set up committees in charge of audit, remuneration and nomination, which are entirely composed of independent members. Mullen Group has also appointed an independent Lead Director. In addition, there are no interlocking board relationships.

### 4.2. ATTRIBUTES EXPECTED OF ALL BOARD MEMBERS

<b>Integrity/Accountability</b>	Demonstrates high ethical standards, avoids conflicts of interest, acts in the best interests of Mullen Group, and maintains the public confidence and goodwill of all Mullen Group stakeholders.
<b>Team Oriented</b>	Demonstrates the ability to function in a team environment by working effectively and collaboratively with peers. Maintains a positive attitude towards resolving conflict and developing and maintaining healthy relationships.
<b>Independence</b>	Ability to formulate or maintain one's own opinion, while remaining objective in considering other perspectives.
<b>Business Judgement / Analytical</b>	Ability to leverage one's own experience and wisdom in making sound strategic and operational business decisions. Demonstrates business acumen and a mindset for risk oversight.
<b>Commitment</b>	Availability and willingness to attend and contribute to board meetings and/or functions, travel as necessary and take leadership roles as required.
<b>Diversity</b>	Contributes to the Board in a way that enhances board perspective through one's own differences in culture, geographic origin, age, personality, gender, skill, training, educational background and/or life experience.



### 4.3. EXECUTIVE COMPENSATION

Our compensation programs and philosophy have been developed as a means to support the growth, diversification and long-term success of a public organization. The compensation framework emphasizes the retention of executives and senior management as a key element in the performance of Mullen Group along with the strategy of maintaining a decentralized business model whereby the Business Units are incented to generate superior profitability and returns on capital deployed **while simultaneously ensuring the businesses operate safely**.

We review all components of our compensation framework on an annual basis to ensure such remain relative to the current market. Generally speaking we believe in – PAY FOR PERFORMANCE – it's a fundamental component of our compensation program for executives and senior management. To assist shareholders in understanding our approach to compensation at the senior level, a discussion follows addressing our compensation philosophy and program, together with the underlying principles and practices associated with such. Specific information relating to compensation paid to our named executive officers can be found in the Named Executive Summary Compensation Table section of our Annual Information Circular (available on our website at [www.mullen-group.com](http://www.mullen-group.com) and SEDAR at [www.sedar.com](http://www.sedar.com)).

Our compensation programs are designed to attract and retain high-quality, experienced individuals at all levels of the organization, maintain an entrepreneurial spirit by linking incentives to performance results and align the interests of senior management and executives with those of shareholders. Generally speaking, these programs offer compensation that is competitive with companies that are of similar size and operate in similar industries. However, the primary principle for all of Mullen Group's compensation programs is based upon the philosophy of pay for performance and as such, the attainment of superior results, both from a financial perspective and a safety perspective, is the ultimate objective.

Compensation is based upon an individual's role and areas of responsibility within our organization, individual performance, as well as the overall operating profitability and safety performance of the Business Units and the long-term performance of Mullen Group. The compensation framework encompasses the following components:

- competitive base salaries and benefits;
- monthly performance plan with a focus on retention of key leaders within Mullen Group;
- annual cash incentives that focus on the financial performance of the Business Units and Mullen Group, including annual return on invested capital thresholds; and
- an equity-based award that focuses on the long term growth in shareholder value consisting of share options for senior management.

Our approach to compensation is unique and is designed to work for Mullen Group's business model of diversified operating segments and geographic differences by ensuring that the total compensation available to employees, senior management and executives is aligned with our corporate goals.



At Mr. Murray Mullen's request, his CEO base salary has been adjusted to a nominal amount, with his compensation being derived solely from the profit share component of Mullen Group's compensation plan. Our profit share model is based on the **profitability** and **safety** performance of Mullen Group and our Business Units. In 2018, Mr. Mullen's total compensation was \$570,000. This compares to the 2018 average weekly earnings for an Alberta mining, quarrying, and oil and gas extraction worker of \$2,243.10 per week<sup>1</sup> or \$116,641.20 per annum (4.89X).

#### 4.4. ETHICAL BUSINESS CONDUCT

We are committed to quality service with a strong culture of integrity. **Honesty, Trust, Respect and Integrity** are the most fundamental ethical values and principles upon which we operate. Our policies are meant to reinforce our workplace culture by providing a common framework and guide for establishing standards, identifying issues and addressing concerns. We have four policies that are supervised by the Board, being our Behaviour Guide - How We Conduct our Business (available on SEDAR at [www.sedar.com](http://www.sedar.com)), Integrity and Financial Concern Policy ("**Whistleblower Policy**"), External Communications and Disclosure Policy, as well as our Trading in Securities Policy. Our policies take into consideration the nature of our decentralized operating structure and are developed so as to be appropriate to our specific circumstances. The Compensation, Nomination and Governance Committee, together with the Audit Committee as required, reviews our policies annually and implements changes where necessary.

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<sup>1</sup> Statistics Canada Table: 14-10-0204-01

